

Message Text

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ACTION OPIC-12

INFO OCT-01 ARA-11 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-09 NSAE-00 TRSE-00 XMB-07 CIEP-02 LAB-06

SIL-01 SAL-01 OMB-01 SSO-00 INRE-00 /084 W
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FM AMEMBASSY CARACAS

TO SECSTATE IMMEDIATE 9036

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DEPT PLEASE PASS OPIC AND AMBASSADOR MCCLINTOCK

EO N/ A

TAGS: ECON, VE

SUBJECT: OPIC INVESTMENT INSURANCE, LUKENS STEEL CO. APPLICATION
529-73-280

REF: CARACAS 1538

1. EXECUTIVE OFFICERS OF LUKENS STEEL ARE VISITING VENEZUELA UNTIL MARCH 14 IN EFFORT TO EXPEDITE PROCESSING OF COMPANY'S PROJECTED \$2 MILLION INVESTMENT IN FIOR DE VENEZUELA S. A. IRON ORE REDUCTION/ BRIQUETTING PLANT. COMPANY OFFICERS STATE THEY PLAN TO PRESENT VENEZUELAN PROJECT TO LUKEN S' BOARD ON MARCH 20. THEY STATE THAT FAVORABLE PROSPECTS FOR OBTAINING INVESTMENT INSURANCE WILL BE VERY IMPORTANT; IN OBTAINING BOARD'S GO- AHEAD FOR PROJECT. THEY DISCUSSED THIS PROCEDURE WITH THOMAS MANSBACH OF OPIC LAST WEEK.

2. LUKENS INVESTMENT WOULD REPRESENT 11 PCT OF TOTAL INVESTMENT IN FIOR, WHICH WOULD BE 89 PERCENT VENEZUELAN- OWNED AND ENJOYS SUBSTANTIAL BACKING OF GUYANA DEVELOPMENT CORPORATION OF VENEZUELA, STATE ENTITY WHICH WOULD OWN 33 PERCENT OF FIOR.

3. EMBASSY HAS ADVISED LUKENS OFFICIALS THAT EMBASSY'S SUBMISSION OF NEW APPLICATIONS FOR INVESTMENT INSURANCE TO MINISTRY OF LIMITED OFFICIAL USE

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DEVELOPMENT HAS BEEN TEMPORARILY SUSPENDED. THIS STEP WAS TAKEN
PENDING THE DEPARTMENT'S ASSESSMENT OF THE RAMIFICATIONS OF
VENEZUELA'S ENTRY INTO ANDEAN PACT UPON OPIC PROGRAM HERE (
CARACAS
1538). A FURTHER COMPLICATION IS ABSENCE OF ESTABLISHED MECHANISMS
FOR SETTling DISPUTES WHICH MIGHT ARISE BETWEEN INSURED COMPANIES
AND VENEZUELAN GOVERNMENT. OPIC VICE PRESIDENT POATS CONCURRED
WITH
THIS APPROACH DURING HIS FEBRUARY 28 VISIT HERE.

4. LUKENS APPLICATION MAY PRESENT UNIQUE CASE WHICH CAN BE RESOLVED
IN ABSENCE OF CLARIFICATION OF APPLICATION OF DECISION 24 OF PACT.
SINCE LUKENS' PARTICIPATION OF 11 PERCENT APPEARS TO BE BELOW
FIGURE TO WHICH ANY FOREIGN COMPANIES WOULD BE REQUIRED TO
DISINVEST
EVEN IF MOST SEVERE PORTIONS OF DECISION 24 WERE APPLIED,
DEPARTMENT
AND OPIC MIGHT CONCLUDE THAT APPROVAL OF APPLICATION IS POSSIBLE
IN SPITE OF RAMIFICATIONS OF PACT.

5. WE UNDERSTAND LUKENS OFFICIALS WILL THIS WEEK DISCUSS
PROJECT WITH OPIC WASHINGTON AND WITH VENEZUELAN MINISTRY
OF DEVELOPMENT.

6. WE URGENTLY REQUEST DEPARTMENT ADVISE EMBASSY AS TO WHETHER
APPLICATION OF LUKENS STEEL SHOULD BE SUBMITTED FOR HOST
GOVERNMENT APPROVAL. (VENEZUELAN GOVERNMENT WILL NOT CONSIDER
APPLICATION UNLESS SO REQUESTED BY EMBASSY.)
DECONTROL MARCH 12, 1975.
DEVINE

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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